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12 April 2007

VIA E-MAIL & U.S. MAIL

Anthony C. Wilson, Esq.
Associate General Counsel
Pepco Holdings, Inc.
800 King Street
P.O. Box 231
Wilmington, DE 19899

Re: *Delmarva Power & Light Company RFP*
PSC Docket No. 06-241

Dear Anthony:

I write to you in connection with the above captioned matter and the Independent Consultant's ("IC") request that the Company perform additional sensitivity runs as part of the Interim IRP review process. As you know on March 9, 2007, Mr. Sheingold, on behalf of the IC, identified and requested certain additional sensitivity analyses to be run. These included (a) a higher gas price scenario, than that used in the price stability analysis for the RFP and (b) a more robust generation unit retirement scenario, with more retirements than the one that Delmarva agreed to perform the following week. As time was short for all parties in this expedited proceeding, the IC accepted the model runs that Delmarva agreed to conduct the following week (Scenario 1 and Scenario 2, as described in Mr. Sheingold's letter dated March 14, 2007, attached as Appendix A to the IC's Interim Report dated April 4, 2007.) However, these scenarios have not addressed some key concerns regarding the level of impact.

In reviewing the IC's report, apparently Delmarva declined to model the requested high gas price case at 30% above the level of Delmarva's reference case natural gas forecast. According to Delmarva, such scenario would have a low probability of occurring. In addition, the Company, for similar reasons, declined to model a more robust retirement scenario. Although Staff understands Delmarva's position, it still believes that due diligence requires an examination of some less probable but still possible conditions.

On behalf of the Commission Staff, we believe the Company has an obligation and a responsibility to provide additional model simulations for the IC's review. Specifically, we require that the following model runs be conducted by ICF on behalf of Delmarva:

- Scenario 5: Higher Gas Case—the same assumptions should be used as in Scenario 1, outlined in the March 14 Letter, except instead of the ICF high gas price scenario, assume that natural gas prices are at 130% of the natural gas reference case level for each year.

- Scenario 6: More Robust Retirements Case—the same assumptions should be used as in Scenario 2, except the following class of generating units should be added to those units that are retired in the model runs: coal units in PJM under 200 MW when they have reached a life of 60 years.

For clarification, please provide results for a market scenario and each bid for each of the foregoing scenarios. To simplify the task, ICF can provide results for the best of each bid (i.e., Conectiv's Alternative bid, Bluewater's Full 25-year bid, and NRG's 25-year bid without CCS).

Please provide Staff's consultant with these requested critical runs no later than April 23, 2007, early enough to resolve outstanding questions, and avoid Commission action well before the May 8th Agency deliberations.

We look forward to your anticipated cooperation ~~regarding~~ this matter.

Sincerely yours,

James McC. Geddes

JMcCG:dlb
cc: William Moore (via e-mail)
Robert Howatt (via e-mail)
Michael Sheehy (via e-mail)
Barry Sheingold (via e-mail)

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